

**Department of Personnel Administration  
Memorandum**

**TO: Personnel Management Liaisons (PML)**

<b>SUBJECT:</b> American Recovery & Reinvestment Act (ARRA) of 2009, COBRA Dental and Vision Premium Assistance (Subsidy), and Payroll Tax Credit Recovery	<b>REFERENCE NUMBER:</b> 2009-027
<b>DATE ISSUED:</b> 06/08/09	<b>SUPERSEDES:</b>

This memorandum should be forwarded to:

Personnel Transactions Supervisors  
Personnel Transaction Staff  
Employee Benefits Officers  
Personnel Officers

**FROM:** Department of Personnel Administration  
Benefits Division

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DPA Benefits Division recently provided information in PML 2009-023, dated May 13, 2009, on the American Recovery and Reinvestment Act (ARRA) of 2009 and its application to dental and vision COBRA continuation coverage. ARRA requires that employers pay 65 percent of the monthly COBRA dental and vision premiums and an Assistance Eligible Individual (AEI) pays 35 percent of the monthly COBRA premiums for a maximum of 9 months. This PML is specific to the tax credit recovery component for the 65 percent employer share (subsidy) of the monthly COBRA dental and vision premiums. Recovery for the employer's 65 percent share of the COBRA premium assistance payments are provided by filing for a payroll tax credit through the Internal Revenue Service. Departments should contact CalPERS for information on the ARRA COBRA premium assistance and tax credit recovery for COBRA health insurance.

Departments must identify an eligible AEI, and then send the individual a COBRA Premium Assistance Notice and Election Form. The AEI must return the completed form to the department to request the subsidy. The department will confirm that the individual meets the requirements for the premium assistance (subsidy), and then send the approved election form along with a completed STD. 692 - Dental Plan Enrollment Authorization and/or STD. 700 - Vision Plan Enrollment Authorization to the dental and/or vision plan. The plan will directly bill the department for the 65 percent ARRA subsidy. The dental and vision plan will ensure that the AEI has paid their 35 percent share of the monthly COBRA prior to billing for the 65 percent employer share.

**How do Departments file for the Payroll Tax Credit Recovery?**

Employing departments will be responsible for filing for the payroll tax credit, if the department has the ability to file the IRS Form 941. Information regarding the IRS Form 941 is located on the IRS website at <http://www.irs.gov/formspubs/article/0,,id=207305,00.html>. Formal filing instructions on the tax credit can be found at: <http://www.irs.gov/pub/irs-pdf/i941.pdf>.

The IRS Form 941 can be found at: <http://www.irs.gov/pub/irs-pdf/f941.pdf>. Departments that file directly for the payroll tax credit should use their own department's assigned Employer Identification Number (EIN) when requesting the tax credit.

### **Supporting Documentation and Record Keeping**

The IRS requires that employers maintain records related to the ARRA COBRA Premium Assistance (subsidy) including all information for those individuals receiving the subsidy. Below is a list of IRS auditable documentation.

- Information on the billing, including dates and amounts, of the assistance eligible individuals' 35 percent share of the premium.
- In the case of an insured plan, a copy of the invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance carrier required under COBRA.
- In the case of a self-insured plan, proof of the premium amount and proof of the coverage provided to the assistance eligible individuals.
- Attestation of involuntary termination, including the date of the involuntary termination, which must be during the period from September 1, 2008 to December 31, 2009, for each covered employee whose involuntary termination is the basis for eligibility for the subsidy.
- Proof of each assistance eligible individual's eligibility for COBRA coverage at any time during the period from September 1, 2008 to December 31, 2009, and election of COBRA coverage.
- A record of the SSN's of all covered employees, the amount of the subsidy reimbursed with respect to each covered employee, and whether the subsidy was for one individual or two or more individuals.

### **CCPOA Benefit Trust**

Departments with employees who have dental and vision benefits through CCPOA Benefits Trust should contact the Benefit Trust office for information regarding the ARRA 65 percent subsidy billing. In the event you have a BU6 employee who is a member of CCPOA involuntarily separated, please provide a notice to the CCPOA Benefit Trust Fund of the separation. The notice should be sent to 2515 Venture Oaks Way, Suite 200, Sacramento, CA 95833-4235 Attn: COBRA Notification.

### **CAHP Benefit Trust**

Departments with employees who have dental and vision benefits through CCPOA Benefits Trust or CAHP Benefits Trust should contact the Benefit Trust office for information regarding the ARRA 65 percent subsidy billing.

**Personnel Offices**

Please help your employees who have questions regarding the ARRA COBRA Premium Assistance (subsidy). If you need assistance to answer your employees' questions or questions regarding the Payroll Tax Credit Recovery, please call Bryan Bruno at (916) 445-9841.

/s/Greg Beatty

Greg Beatty, Chief  
Benefits Division